



Mary Taylor, CPA
Auditor of State

DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Delaware County District Library
Delaware County
84 E. Winter Street
Delaware, Ohio 43015

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County District Library, Delaware County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County District Library, Delaware County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 20, 2007

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2006 are as follows:

The Library's general receipts are primarily Library and Local Support Fund (LLGSF) Revenues and Property Taxes. These receipts represent respectively represent 76.73 and 11.72 percent of the total cash received for Library operations during the year. LLGSF receipts changed very little for 2006 while property tax revenues increased 7.29 percent based on amounts needed to fund debt service requirements.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indication of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the reliance on Library and Local Government Support Fund funding, the condition of the Library's capital assets, and the extent of the Library's debt obligations.

In the statement of net assets and the statement of activities, the assets and activity of the Library are presented as Governmental Activities. All of the Library's basic services are reported here.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds — not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds — The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, Debt Service Fund, and Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Library as a Whole

Table I provides a summary of the Library's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

Net Assets

| | Governmental Activities | |
|---------------------------|-------------------------|-------------|
| | 2006 | 2005 |
| Assets | | |
| Cash and Cash Equivalents | \$2,346,333 | \$2,270,079 |
| Total Assets | \$2,346,333 | \$2,270,079 |
| Net Assets | | |
| Restricted for: | | |
| Debt Service | 44,482 | 21,014 |
| Capital Project | 905,853 | 893,483 |
| Permanent Fund | 53,484 | 51,519 |
| Other Purposes | 98,127 | 119,462 |
| Unrestricted | 1,244,387 | 1,184,601 |
| Total Net Assets | \$2,346,333 | \$2,270,079 |

As noted in the table above unrestricted net assets increased by \$59,786 from 2005 to 2006. While there were some fluctuations in receipts and expenditures from the prior year, the increase is mainly due to a generous contribution from a patron of approximately \$75,000.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets on cash basis in 2006 for governmental activities.

(Table 2)
Changes in Net Assets

| | Governmental Activities 2006 | Governmental Activities 2005 |
|---|------------------------------------|------------------------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$56,877 | \$38,812 |
| Operating Grants and Contributions | 50,935 | 43,464 |
| Total Program Receipts | <u>107,812</u> | <u>82,276</u> |
| General Receipts: | | |
| Library and Local Government Support Fund | 2,061,047 | 2,067,498 |
| Property and Other Local Taxes | 314,779 | 293,401 |
| Contributions Gifts and Donations | 77,208 | 1,142 |
| Earnings on Investments | 107,646 | 65,351 |
| Miscellaneous | 17,602 | 8,661 |
| Total General Receipts | <u>2,578,282</u> | <u>2,436,053</u> |
| Total Receipts | <u>2,686,094</u> | <u>2,518,329</u> |
| Disbursements: | | |
| Salaries and Benefits | 1,499,984 | 1,379,050 |
| Supplies | 111,089 | 85,104 |
| Purchased & Contracted Services | 271,096 | 268,042 |
| Library Materials and Information | 345,282 | 377,553 |
| Other Objects | 17,405 | 22,999 |
| Capital Outlay | 44,509 | 148,924 |
| Debt Service | 320,475 | 365,475 |
| Total Disbursements | <u>2,609,840</u> | <u>2,647,147</u> |
| Increase (Decrease) in Net Assets | 76,254 | (128,818) |
| Net Assets, January 1, 2006 | <u>2,270,079</u> | <u>2,398,897</u> |
| Net Assets, December 31, 2006 | <u>2,346,333</u> | <u>2,270,079</u> |

Program receipts represent approximately 4 percent of total receipts and are primarily composed of fees associated with Library Services and homestead and rollback receipts received for debt service.

LLGSF and property tax receipts respectively represent 76.73 and 11.72 percent of the Library's total receipts. All other receipts are very insignificant and somewhat unpredictable revenue sources.

Overall disbursements for the Library remained consistent from 2005 to 2006.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The majority of program disbursements for Library Services are the costs for operating the Library which accounts for 86.02 percent of all governmental disbursements. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from the money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost Of Services 2006 | Total Cost Of Services 2005 | Net Cost of Services 2006 | Net Cost of Services 2005 |
|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Library Services: | | | | |
| Salaries and Benefits | 1,499,984 | 1,379,050 | 1,498,984 | 1,379,050 |
| Supplies | 111,089 | 85,104 | 111,089 | 85,104 |
| Purchased and Contracted Services | 271,096 | 268,042 | 271,096 | 268,042 |
| Library Materials and Information | 345,282 | 377,553 | 272,343 | 330,740 |
| Other | 17,405 | 22,999 | 17,405 | 22,999 |
| Capital Outlay | 44,509 | 148,924 | 44,509 | 148,924 |
| Debt Service: | | | | |
| Principal Retirement | 16,718 | 20,415 | (17,155) | (15,048) |
| Interest and Fiscal Charges | 303,757 | 345,060 | 303,757 | 345,060 |
| Total Expenses | \$2,609,840 | \$2,647,147 | \$2,502,028 | \$2,564,871 |

The dependence upon tax receipts and LLGSF is apparent as over 96 percent of governmental activities are supported through these general receipts.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Library's Funds

Information about the Library's major Governmental Funds begins on page 12. All Governmental Funds had total revenue of \$2,686,094 and expenditures of \$2,609,840.

General Fund receipts were greater than disbursements by \$59,786 indicating a surplus in the Library's spending situation. The Library began the year of 2006 with a cash balance of \$1,184,601 in the General Fund. This leaves a balance of \$1,244,387 as of December 31, 2006.

The fund balance of the Debt Service Fund increased by \$23,468 due to a slight increase in tax collections and a slight decrease in required debt service payments.

The Building and Repair Fund balance increased by \$12,370 due to increased earnings on investments and no large capital projects currently being in progress.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Library amended its General Fund budget several times to reflect changing circumstances.

Final disbursements were budgeted at \$2,440,219 while actual disbursements were \$2,301,075.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its limited amount of capital assets and does not have intent to do so.

Debt

As of December 31, 2006, the Library's outstanding debt included \$937,185 of principal and interest in general obligation bonds issued for construction of a main library and two branch libraries. For further information regarding the Library's debt refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on State funding. All departments have been asked to reduce their spending to compensate for the reduction in funding.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY, OHIO**

***MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)***

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Angela Cox, Clerk-Treasurer, Delaware County District Library, 84 East Winter Street, Delaware, Ohio 43015.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,346,333</u> |
| <i>Total Assets</i> | <u><u>\$2,346,333</u></u> |
| Net Assets | |
| Restricted for: | |
| Capital Projects | 905,853 |
| Debt Service | 44,482 |
| Permanent Fund Purpose | |
| Expendable | 2,269 |
| Nonexpendable | 51,215 |
| Other Purposes | 98,127 |
| Unrestricted | <u>1,244,387</u> |
| <i>Total Net Assets</i> | <u><u>\$2,346,333</u></u> |

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets |
|---|-----------------------|--------------------------------------|--|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Library Services: | | | | |
| Salaries and Benefits | \$1,499,984 | - | 1,000 | (\$1,498,984) |
| Supplies | 111,089 | - | - | (111,089) |
| Purchased and Contracted Services | 271,096 | - | - | (271,096) |
| Library Materials and Information | 345,282 | 56,877 | 16,062 | (272,343) |
| Other Objects | 17,405 | - | - | (17,405) |
| Capital Outlay | 44,509 | - | - | (44,509) |
| Debt Service: | | | | |
| Principal Retirement | 16,718 | - | 33,873 | 17,155 |
| Interest and Fiscal Charges | 303,757 | - | - | (303,757) |
| <i>Total Governmental Activities</i> | <u>\$2,609,840</u> | <u>\$56,877</u> | <u>\$50,935</u> | (2,502,028) |
| General Receipts | | | | |
| Library and Local Government Support Fund (LLGSF) | | | | 2,061,047 |
| Property Taxes Levied for Debt Service | | | | 314,779 |
| Unrestricted Contributions, Gifts, and Donations | | | | 77,208 |
| Earnings on Investments | | | | 107,646 |
| Miscellaneous | | | | 17,602 |
| <i>Total General Receipts</i> | | | | 2,578,282 |
| Change in Net Assets | | | | 76,254 |
| <i>Net Assets Beginning of Year</i> | | | | <u>2,270,079</u> |
| <i>Net Assets End of Year</i> | | | | <u>\$2,346,333</u> |

See Accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

| | General | Debt Service | Building & Repair Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------|---------------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,244,387 | \$44,482 | \$905,853 | \$151,611 | \$2,346,333 |
| <i>Total Assets</i> | <u>1,244,387</u> | <u>44,482</u> | <u>905,853</u> | <u>151,611</u> | <u>2,346,333</u> |
| Fund Balances | | | | | |
| Reserved: | | | | | |
| Reserved for Encumbrances | 68,871 | - | - | 373 | 69,244 |
| Unreserved: | | | | | |
| Undesignated, Reported in: | | | | | |
| General Fund | 1,175,516 | - | - | - | 1,175,516 |
| Special Revenue Funds | - | - | - | 98,127 | 98,127 |
| Debt Service Fund | - | 44,482 | - | - | 44,482 |
| Capital Projects Funds | - | - | 905,853 | - | 905,853 |
| Permanent Funds | - | - | - | 53,111 | 53,111 |
| <i>Total Fund Balances</i> | <u>\$1,244,387</u> | <u>\$44,482</u> | <u>\$905,853</u> | <u>\$151,611</u> | <u>\$2,346,333</u> |

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | General | Debt Service | Building & Repair Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------|---------------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Library and Local Government Support Fund | \$2,061,047 | - | - | - | \$2,061,047 |
| Property and Other Local Taxes | - | 314,779 | - | - | 314,779 |
| Intergovernmental | - | 33,873 | - | - | 33,873 |
| Patron Fines and Fees | 56,877 | - | - | - | 56,877 |
| Contributions, Gifts and Donations | 94,270 | - | - | - | 94,270 |
| Earnings on Investments | 62,194 | - | 37,375 | 8,077 | 107,646 |
| Miscellaneous | 17,602 | - | - | - | 17,602 |
| <i>Total Receipts</i> | <u>2,291,990</u> | <u>348,652</u> | <u>37,375</u> | <u>8,077</u> | <u>2,686,094</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Salaries and Benefits | 1,472,860 | - | - | 27,124 | 1,499,984 |
| Supplies | 111,089 | - | - | - | 111,089 |
| Purchased and Contracted Services | 266,387 | 4,709 | - | - | 271,096 |
| Library Materials and Information | 344,959 | - | - | 323 | 345,282 |
| Other | 17,405 | - | - | - | 17,405 |
| Capital Outlay | 19,504 | - | 25,005 | - | 44,509 |
| Debt Service: | | | | | |
| Principal Retirement | - | 16,718 | - | - | 16,718 |
| Interest and Fiscal Charges | - | 303,757 | - | - | 303,757 |
| <i>Total Disbursements</i> | <u>2,232,204</u> | <u>325,184</u> | <u>25,005</u> | <u>27,447</u> | <u>2,609,840</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>59,786</u> | <u>23,468</u> | <u>12,370</u> | <u>(19,370)</u> | <u>76,254</u> |
| <i>Fund Balances Beginning of Year</i> | <u>1,184,601</u> | <u>21,014</u> | <u>893,483</u> # | <u>170,981</u> | <u>2,270,079</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,244,387</u> | <u>\$44,482</u> | <u>\$905,853</u> | <u>\$151,611</u> | <u>\$2,346,333</u> |

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|--------------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Library and Local Government Support Fund | \$2,035,500 | \$2,058,023 | \$2,061,047 | \$3,024 |
| Patron Fines and Fees | 35,000 | 35,000 | 56,877 | 21,877 |
| Contributions, Gifts and Donations | 4,000 | 4,000 | 94,270 | 90,270 |
| Earnings on Investments | 30,000 | 30,000 | 62,194 | 32,194 |
| Miscellaneous | 5,300 | 5,300 | 17,602 | 12,302 |
| <i>Total receipts</i> | <u>2,109,800</u> | <u>2,132,323</u> | <u>2,291,990</u> | <u>159,667</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Salaries and Benefits | 1,547,758 | 1,545,880 | 1,504,864 | 41,016 |
| Supplies | 87,020 | 122,787 | 111,731 | 11,056 |
| Purchased and Contracted Services | 261,143 | 296,724 | 270,566 | 26,158 |
| Library Materials and Information | 380,420 | 432,174 | 376,528 | 55,646 |
| Other | 41,400 | 18,176 | 17,405 | 771 |
| Capital Outlay | 23,000 | 24,478 | 19,981 | 4,497 |
| <i>Total Disbursements</i> | <u>2,340,741</u> | <u>2,440,219</u> | <u>2,301,075</u> | <u>139,144</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(230,941)</u> | <u>(307,896)</u> | <u>(9,085)</u> | <u>298,811</u> |
| <i>Fund Balance Beginning of Year</i> | 1,119,510 | 1,119,510 | 1,119,510 | - |
| Prior Year Encumbrances Appropriated | 65,091 | 65,091 | 65,091 | - |
| <i>Fund Balance End of Year</i> | <u>\$953,660</u> | <u>\$876,705</u> | <u>\$1,175,516</u> | <u>\$298,811</u> |

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

Note 1 - Description of the Library and Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Delaware County District Library, Delaware County, Ohio, (the Library) as a body corporate and politic.

A seven-member Board governs the Library, which provides the community with various educational and literacy resources. Of the seven Board members three are appointed by the Judge of the Court of Common Pleas and four are appointed by the Board of the County Commissioners. All Board members are qualified electors of the Library District. Each trustee serves a term of seven years. The officers of the Board are the president, vice president and secretary who are all elected and serve a term of one year. The Delaware County District Library has branches located in Delaware, Ostrander and Powell.

Reporting Entity

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Library's accounting policies.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, Library and Local Government Support, or other non-exchange transactions. The Library does not have any business type activities.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts of the Library's governmental type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program and charges for services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on the major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Library classifies each fund as governmental.

Governmental Funds

The Library classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Debt Service Fund -The debt service fund accounts for resources the Library accumulates to pay a bond issue.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

Building and Repair Capital Projects Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006, investments were limited to a sweep account and nonnegotiable certificates of deposit. Investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 amounted to \$62,194.

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-term Obligations

The Library's cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The Library first applies restricted resources when incurring a disbursement for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted within the special revenue fund.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$68,871 for the general fund.

Note 4 – Grants-in-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 5 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 5 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$165 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,784,182 of the Library's bank balance of \$1,884,182 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. The bank balance represents the Library's active monies as of December 31, 2006.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Library had the following:

| | Carrying Value | Maturity |
|----------------------|----------------|----------|
| Repurchase Agreement | \$470,104 | 30 days |

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. The repurchase agreement represents the Library's interim deposits as of December 31, 2006.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." However, in addition to certificates of deposit, the library only invested a repurchase agreement and investments in external investment pools (i.e. securities underlying repurchase agreements and investment securities) are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Ohio School District. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2006, was \$0.07 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

| | |
|-------------------------------|------------------------|
| Real Property | |
| Residential | \$3,688,922,221 |
| Agricultural | 63,122,230 |
| Commercial/Industrial/Mineral | 559,576,980 |
| Tangible Personal Property | |
| Business | 108,379,659 |
| Public Utility | 118,964,960 |
| Total Assessed Value | <u>\$4,538,966,050</u> |

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 7 - Risk Management

Property and Liability

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the Library contracted with Trimble Company for Property (Fire and Extended Coverage) and Boiler and Machinery coverage through Westfield Insurance Company. Commercial Property coverage blanket for building and personal property with a limit of liability of \$5,170,726 and valuable papers limit of liability of \$1,942,000. Also through Westfield Insurance Company a Commercial general liability aggregate limit of \$2,000,000 and Umbrella liability limit of \$3,000,000. Westfield Insurance Company covers commercial vehicles and has a \$1,000 deductible for comprehensive and collision. This insurance includes a bodily injury and property damage combined single limit of \$1,000,000.

Employment Practices liability policy coverage through Trimble Company with American International Group Inc. carrying the policy with a \$1,000,000 limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from the prior year.

Health Care Benefits

The Library purchases commercial medical, dental, and vision coverage for all full time employees of the Library through a private carrier.

Note 8 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 8 - Defined Benefit Pension Plan (continued)

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$155,625, \$212,076, and \$201,125, respectively; the full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$3,774 made by the Library and \$2,479 made by the plan members.

Note 9 - Post-employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 6.00 percent annually for the next eight years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$51,118. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contributions rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 10 – Long – Term Liabilities

| | Principal Outstanding 1/1/06 | Additions | Reductions | Principal Outstanding 12/31/06 | Amounts Due in One Year |
|--------------------------------|------------------------------------|-----------|------------|--------------------------------------|-------------------------------|
| Governmental Activities | | | | | |
| 1990 General Obligation Bonds | \$605,306 | \$0 | \$16,719 | \$588,587 | \$13,587 |

The 1990 General Obligation Refunding Bonds were issued to retire previous bonds that were issued for the construction of a main library in the City of Delaware, a branch library in the Village of Ostrander, and a branch library in the City of Powell.

Principal and interest requirements to retire long-term liabilities outstanding at December 31, 2006, are as follows:

| Fiscal Year Ending December 31 | General Obligation Bonds | | Total |
|-----------------------------------|-----------------------------|------------------|------------------|
| | Principal | Interest | |
| 2007 | 13,587 | 291,888 | 305,475 |
| 2008 | 230,000 | 30,475 | 260,475 |
| 2009 | 195,000 | 18,285 | 213,285 |
| 2010 | 150,000 | 7,950 | 157,950 |
| Total | <u>\$588,587</u> | <u>\$348,598</u> | <u>\$937,185</u> |

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Delaware County District Library
Delaware County
84 East Winter Street
Delaware, Ohio 43015

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County District Library, Delaware County, Ohio (the Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above, finding number 2006-001, is also a material weakness.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated August 20, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 20, 2007

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2006-001

Significant Deficiency and Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit reclassifications and adjustments were made to the December 31, 2006 financial statements:

1. In the Debt Service Fund, \$33,873 of receipts for homestead and rollback were reclassified from property and other local taxes to intergovernmental receipts.
2. A reclassification in the Debt Service Fund was made to properly reflect \$288,519 as interest and fiscal charges rather than principal retirement based on the debt retirement amortization schedule.
3. Based on generally accepted accounting principles the Building and Repair Capital Projects Fund needed to be presented as a major fund on the Balance Sheet and the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances. Adjustments were made to remove \$893,483 from the Other Governmental Funds beginning fund balance, \$37,375 from Earnings on Investments, and \$25,005 from capital outlay disbursements in the Other Governmental Funds, and to record those amounts in the Building and Repair Capital Projects Fund.
4. In the General Fund, there were no final estimated receipts included on the client prepared Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual- Budget Basis. Adjustments were made to post budgeted receipts at year end as noted on the Library's Final Certificate of Estimated Resources received from the County Auditor.
5. An adjustment was made to properly report \$50,935 of program revenues related to receipts that were designated for a specific purpose to offset disbursements.
6. On the Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budget Basis for the General Fund adjustments were made to properly report a total \$68,871 of outstanding encumbrances as actual budgetary disbursements.

The fiscal officer should review the adjustments and reclassifications identified above to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Library should adopt policies and procedures, including a final review of the financial statements and note disclosures by the fiscal officer and governing board, to identify and correct errors and omissions.

Officials' Response:

We believe that the items listed above are primarily presentation related reclassifications and do not affect the integrity of our internal controls or our financial results.

Throughout the audit period the Library's books were kept on a cash basis and we believe that none of the items noted above affect the accuracy of that recordkeeping. In conjunction with this audit our new Clerk-Treasurer drafted the generally accepted accounting principles look-alike financial statements using the modified accrual basis of accounting.

DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

FINDING NUMBER 2006-001 (continued)

Significant Deficiency and Material Weakness (continued)

Officials' Response (continued):

This audit was our Clerk-Treasurer's first audit and the Library's first audit under Statement of Auditing Standards Number 112, Communicating Internal Control Related Matters Identified in an Audit (SAS No. 112). We assumed that our auditors would assist us in properly presenting the financial statements. Our December 31, 2004 audit report identified no internal control deficiencies and we took the same approach when drafting the December 31, 2006 financial statements. We believed that the new auditing standard would allow for reclassifications/adjustments to our draft financial statements by our auditor. Our auditor has advised us that the new audit standard requires such changes to be considered a material weakness.

In future audits we will make reclassifications and adjustments for all of the items listed above. We plan to carefully review the classification of our actual and budgetary receipts and disbursements prior to providing a draft report to the auditor. Our Clerk-Treasurer will attend additional training to improve her understanding of the GAAP look-alike financial statement reporting and preparation process. Additionally, we will seek outside professional assistance if necessary to ensure proper presentation.



Mary Taylor, CPA
Auditor of State

DELAWARE COUNTY DISTRICT LIBRARY

DELAWARE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 11, 2007